Trademarks business performance

David Gooder
Commissioner for Trademarks
Today's overall agenda

- Trademarks Business Unit update
- IT update (OCIO)
- Legislative update (OGA)
- Policy & International update (OPIA)
- TTAB update
- Public comments
Trademarks Business Unit agenda

- Trademarks business operations update
- Trademarks financial performance
- Trademarks FY 2021 priorities
  - Combating the surge
  - Trademark Modernization Act implementation update
  - Register protection update
  - IT modernization update
Trademarks staffing

- 1014 employees (7% of USPTO), +58 from July 2020
- 674 examining attorneys (66% of Trademarks), +48 from July 2020
- 100% of employees have the option to telework during the pandemic
Trademark application filing levels

FY 2020 actual
- 738,112 classes
  +9.5%

FY 2021 (classes)
- Currently: 785,109
  +44%
- Projected: ~940,000
### Monthly growth rates – still growing

<table>
<thead>
<tr>
<th>Month</th>
<th>FY 2020</th>
<th>FY 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>October</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>-4%</td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>-2%</td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>-2%</td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>-9%</td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>-7%</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td>-1%</td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>24%</td>
<td>136%</td>
</tr>
<tr>
<td>July</td>
<td>3%</td>
<td>59%</td>
</tr>
<tr>
<td>August</td>
<td>35%</td>
<td>44%</td>
</tr>
<tr>
<td>September</td>
<td>49%</td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>50%</td>
<td>56%</td>
</tr>
<tr>
<td>November</td>
<td>30%</td>
<td>58%</td>
</tr>
<tr>
<td>December</td>
<td>34%</td>
<td>56%</td>
</tr>
<tr>
<td>January</td>
<td>28%</td>
<td>58%</td>
</tr>
<tr>
<td>February</td>
<td>10%</td>
<td></td>
</tr>
</tbody>
</table>

*Note: Growth rates are shown as percentages for each month.*
USPTO application filings origins: U.S., China, European Union, and rest of the world

- US: 59%
- China: 25%
- EU: 11%
- Rest of the World: 5%
FY 2021 first action and disposal pendency

- First Action
- First Action Target
- Disposal
- Disposal Target
# Trademarks performance: quality

<table>
<thead>
<tr>
<th>FY 2020 Trademarks performance measures</th>
<th>FY 2021 targets</th>
<th>FY 2021 Results*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First action compliance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In-process review evaluation of the statutory bases for which the USPTO raises issues and/or refuses marks for registration based on the first office action</td>
<td>95.5%</td>
<td>96.3%</td>
</tr>
<tr>
<td><strong>Final action compliance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In-process review evaluation of the statutory bases for which the USPTO raises issues and/or refuses marks for registration based on the examining attorney’s approval or denial of the application</td>
<td>97.0%</td>
<td>98.7%</td>
</tr>
<tr>
<td><strong>Exceptional office action</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measure indicating the comprehensive quality of the first office action search, evidence, writing, and decision making</td>
<td>50.0%</td>
<td>53.1%</td>
</tr>
</tbody>
</table>

*through July 26, 2021
What and who are causing the surge

• A look at the numbers
Overall - 76% of all trademark filings:
Filed by applicants with less than 10 applications

- Large Filer (100+ applications all time):
  - FY 2015: 10%
  - FY 2016: 9%
  - FY 2017: 8%
  - FY 2018: 7%
  - FY 2019: 7%
  - FY 2020: 6%

- Medium Filer (10-99 applications all time):
  - FY 2015: 25%
  - FY 2016: 24%
  - FY 2017: 22%
  - FY 2018: 22%
  - FY 2019: 21%
  - FY 2020: 19%

- Small Filer (2-9 applications all time):
  - FY 2015: 41%
  - FY 2016: 41%
  - FY 2017: 42%
  - FY 2018: 42%
  - FY 2019: 43%
  - FY 2020: 43%

- One-Time Filer (1 application all time):
  - FY 2015: 29%
  - FY 2016: 26%
  - FY 2017: 28%
  - FY 2018: 29%
  - FY 2019: 29%
  - FY 2020: 33%
Who is driving the surge

Filers with fewer than 10 applications all-time; Use and ITU; Individuals; USA and China
What is causing the surge

- Growth of on-line sales
- Government stimulus
  - Direct stimulus checks
  - Subsidies, notably in Guangdong province
- Anticipation of USPTO fee increase in FY21
- Chinese/US law firms/lawyers
  - Marketing filings directly to Chinese SMEs
- Entrepreneurialism
  - 6,714,318 new businesses started since March 2020
  - Time + Money
Additional matters

• Delay in obtaining certified copies
Trademarks FY 2021 priorities
Trademarks FY 2021 priorities

- Attack the application surge
- Implement the TMA
- TM EVO 2021
- Intensify IT modernization
- Boost TM register protection
Dan Vavonese
Deputy Commissioner for Trademark Operations

Application filings surge
The surge of 2021

• What’s the impact
• What are we doing about it
Unexamined application inventory (classes)

283 percent increase from Oct 2016 to July 2021

97 percent increase from Oct 2020 to July 2021.

Data current as of 7/26/2021
Impact of the surge: processing backlogs

• New applications uploaded into Trademark Status and Document Retrieval and Trademark Electronic Search System
  • Typically processed within one week
  • Takes longer if manual entry is required; contact TEAS@uspto.gov

• First action pendency (target between 2.5 and 4.5 months from filing)
  • Historically, around 3 months from filing to first action
  • Now taking nearly 6 months

• Processing of amendments and responses to office actions
  • Typically processed within 14 days
  • Back on goal, now taking around 14 days
Filings surge: what actions have we taken

- Reorganized workloads among staff
- Hired 47 new examining attorneys
- Upcoming hiring plans
- IT solutions and process improvements
- Notices on our external sites
- Monthly pendency metrics launched – TM Dashboard
  - Provides regular check processing timeframes
Pendency metrics: up-to-date processing wait times on TM Dashboard

View Current Trademark processing wait times

<table>
<thead>
<tr>
<th>Current Trademark processing wait times</th>
<th>Pendency Target</th>
<th>Current Pendency</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of June 2021</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-Examination Unit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TEAS</td>
<td>10 days</td>
<td>81 days</td>
</tr>
<tr>
<td>MADRID</td>
<td>10 days</td>
<td>0 days</td>
</tr>
<tr>
<td>Examination Support Unit (ESU)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amendment entry</td>
<td>14 days</td>
<td>68 days</td>
</tr>
<tr>
<td>Intent to use</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extension requests</td>
<td>15 days</td>
<td>7 days</td>
</tr>
<tr>
<td>Statement of use</td>
<td>15 days</td>
<td>8 days</td>
</tr>
<tr>
<td>Divisional requests</td>
<td>15 days</td>
<td>15 days</td>
</tr>
<tr>
<td>Petitions Office</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letters of protest</td>
<td>60 days</td>
<td>80 days</td>
</tr>
<tr>
<td>Post Registration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affidavits of Use/Incontestability</td>
<td>30 days</td>
<td>78 days</td>
</tr>
</tbody>
</table>

Attack the application surge
Amy Cotton
Deputy Commissioner for Trademark Policy

Trademark Modernization Act: comments in response to Notice of Proposed Rulemaking
Notice of Proposed Rulemaking comments received

• 30 comments
  – Industry associations (10)
  – Law firms (5)
  – Corporations (3)
  – Law school legal clinic (1)
  – Non-profit (1)
  – Individuals (10)
Notice of Proposed Rulemaking

• Letters of protest
• Flexible response periods
• Nonuse cancellation
• Attorney recognition
• Court orders
Flexible response period options

Three month response

Single three month response period, extendable once to full six months

Two phase examination

Two month response period for formalities, extendable to the full six months

Patent model

Two month response period, extendable month by month to full six months
Flexible response period comments

• Twenty three comments
  – Support three month response period
  – Support combination of options one and three
  – No change
  – No change but if anything, three month initial response
  – Delay implementation and ask for more public comments

Implement the TMA
Attorney recognition (1 of 2)

2.17(g): recognition for representation continues until revocation or withdrawal

2.17(b) & 2.19(d): fraudulent designation of representative will not be effective

2.19(b): clarifies when an attorney must withdraw and when permitted to withdraw

2.61(c): deletes provision on conflicts of interest, superseded by Rules of Professional Conduct
Attorney recognition (2 of 2)

• Twelve comments
  – Some support
  – Some oppose
  – Desire for more information about forthcoming phase of login, role-based access controls, to assess the need for rule changes
  – Concerns about removing docketing information from database
Nonuse cancellation (1 of 7)

- Petition requirements and procedures
  - 30 day letter for good faith but incomplete petition
    - Support 30 day letter
    - 30 days to perfect incomplete petition is too long
    - Oppose 30 day letter
Nonuse cancellation (2 of 7)

• Petition requirements and procedures
  – Allow petitioner to supplement deficient petition with more evidence
  – Allow registrant to submit a response to petition prior to institution
  – Should address confidentiality concerns of registrants
Nonuse cancellation (3 of 7)

• Petition requirements and procedures
  – Real party in interest
    • Should require
    • Should not require
    • Wait and see if abused
    • Director should retain discretion to ask for real party in interest prior to institution determination
Nonuse cancellation (4 of 7)

• Petition requirements and procedures
  – Limitation on # petitions filed on a registration
    • Limit number of petitions
      – Limit within a certain time period
    • Don’t limit the number of petitions, but “wait and see”
    • Address patterns of abusive filings by denying future requests
Nonuse cancellation (5 of 7)

• Expungement/Reexamination response period
  – Make consistent with other office action response periods
  – Allow extensions of time
  – Three month response period
  – Three month response period, extendable to six
  – Six month response period
Nonuse cancellation (6 of 7)

• Filing fee
  – $600 is appropriate
  – $600 is too high
    • Charge registrant $250 per class deletion fee
    • Refund $200 for default judgments
  – Lower fee for more recent registrations
  – Lower fee for individuals, small businesses, non-profits
Nonuse cancellation (7 of 7)

• Audit for failure to respond
  – Oppose audit
    • Impose penalty fee if application is refiled
  – Support audit
    • Evaluate whether to institute Director-initiated proceeding on rest of the registration
  – Wait and see
Final rule

• Anticipate publication
  – November 2021
    • Rulemaking requires publication 30 days prior to implementation (unless good cause)
  – Implementation for nonuse cancellation is required by December 27, 2021
Amy Cotton
Deputy Commissioner for Trademark Examination Policy

Boost Trademarks register protection
Schemes

• Special task force investigations
  – Violations of US rules of practice, representation rules, and website terms of use
    • Administrative sanctions
  – Attorney misconduct that impacts US applications
    • Refer to Office of Enrollment and Discipline
  – Criminal behavior that impacts or implicates US applications
    • Refer to law enforcement
Taking steps

• Identifying schemes
• Investigating affected applications
• Targeting rule violations where there is evidence of intent to circumvent US rules
• Talking to law enforcement and OED
• Improving website content
Improving website content

• Names of potential scam companies flagged by our customers
• Names of actors and companies that the USPTO is investigating or has sanctioned
• Checklist for how to prevent being scammed and what to do if you believe you are a victim
• TMScams@uspto.gov
Sanctions and discipline

• Commissioner ordered sanctions
  – Final orders for sanctions
    • Xue Chaoxing
    • Dr. Thong Quang Ngo
  – Show cause order
    • Yusha Zhang & Shenzhen Huanyee Intellectual Property Co., Ltd.
      – Orders issued by the Commissioner for Trademarks-Document Link

• OED discipline
  – Settlement agreement
    • Yiheng Lou, NY attorney
      – Lou Final Order D2021-04 Redacted.-Document Link
IT modernization
Trademark IT update (1 of 3)

• Electronic registration certificates (eReg Certs) and Blockchain
  o Development status
    ▪ Adobe HA (high availability) bug fixed July 22, 2021
    ▪ Solidifying communications plan
  o Deployment target
    ▪ February 15, 2022
      ✓ Timing based on rulemaking and already-scheduled new calendar year deployments
  o Blockchain options to replace ‘hashed” copies and obviate need for certified copies being reviewed.
Trademark IT update (2 of 3)

• Identity proofing status
  o Feedback thus far: Usability testing and beta testing
    ▪ Usability testing conducted by customer experience team – utilized cross-section of known users
    ▪ Beta testing accomplished by development team – used TPAC members
  o Next cohort for “expanded beta”
    ▪ Using examination policy-vetted users
      ✓ Testing to run thru August
      ✓ Feedback will inform enterprise release
  o Plan for deployment: October 2021
Trademark IT update (3 of 3)

Product line status

- TRAM retirement acceleration options being developed; six additional development teams added to product line
- Last remaining legacy reporting system has been successfully migrated to the Enterprise Data Warehouse (EDW); all legacy systems assigned have been retired or decommissioned
- One additional AI/ML/RPA development team added in FY22
- Enhanced and re-imagined TM Exam approaching opportunity for launch to volunteer examining attorneys for early adoption and feedback
- Production beta test of ID verification application and integration with TEAS and MyUSPTO
- New pages added to Trademarks landing page on USPTO.gov (ex. “Scam Awareness”)
- Established new product development plan on AWS Cloud transition
- Development team established four microservices (workflow router, workflow engine, API, and API gateway) to further improve the cloud infrastructure
- Completed ESTTA Answer and Counterclaim and Petition for Cancellation forms changes
- Modified backend process to support TMA cancellation based on nonuse